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FISCAL IMPACT STATEMENT

LS 7422

BILL NUMBER: HB 1976

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: Excise Tax on Bottled Water.

FIRST AUTHOR: Rep. Friend

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☒ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a bottled water excise tax of \$0.02 per liter on sales of bottled water in Indiana. The bill requires the Department of State Revenue to deposit the excise taxes collected into the Clean Water Indiana Fund to be used for leveraging matching funds from private and federal sources for available land and soil conservation, water quality, or agricultural programs. The bill appropriates to the Clean Water Indiana Fund, to be allocated in specified amounts for various leveraging purposes, a total of \$12,000,000, less the total amount of bottled water excise taxes collected for the period, from the state General Fund for the period beginning January 1, 2004, and ending June 30, 2004.

Effective Date: July 1, 2003; January 1, 2004.

Explanation of State Expenditures: This bill appropriates *up to* \$12.0 M from the state General Fund for the period beginning January 1, 2004, and ending June 30, 2004 to the Clean Water Indiana Fund, less the amount that received during the same period from the Bottled Water Excise Tax (See *Explanation of State Revenues*, below). The impact of this provision on the General Fund will depend on the allocation of the appropriation by the State Budget Agency. However, assuming that the General Fund allocation is made on a monthly basis, as revenue from the Bottled Water Excise Tax is remitted, it is estimated that this provision will result in a **\$8.0 M** appropriation from the General Fund in FY 2004. The bill does not contain an appropriation for FY 2005.

Department of State Revenue: Depending on how the proposed tax is implemented and collected, the Department of State Revenue could experience an increase in administrative costs. Any additional costs are presumed to be less than \$100,000 per year.

Clean Water Indiana Fund: Revenue from the Bottled Water Excise Tax will be deposited in the Clean Water Indiana Fund, managed by the Department of Natural Resources, Division of Soil Conservation. Based on the appropriation provisions noted above and the anticipated revenue collection from the Bottled Water Excise Tax, this Fund should receive approximately \$12 M in FY 2004 and \$9.8 M in FY 2005. Money in the Clean Water Indiana is used to fund matching grants to local Soil and Water Conservation Districts and municipalities that have matching funds available (See *Explanation of Local Revenues*, below). The Fund also provides the state contribution necessary to leverage federal funds.

Explanation of State Revenues: *Bottled Water Excise Tax:* This bill establishes a \$0.02 excise tax on each liter of bottled water sold in Indiana beginning January 1, 2004. The tax is imposed on all bottled water, including bottled water sales that are not currently subject to the state Sales Tax. It is estimated that the new tax will generate approximately **\$4.0 in FY 2004 and \$9.8 M** in FY 2005. Due to the timing of the remittance of revenue Bottled Water Excise Tax, the FY 2004 estimate is limited to 5 months of collections during the 6 months of FY 2004 that the tax is in effect. The estimate is based on national and regional bottled water consumption data obtained from the United States Department of Agriculture and the Beverage Marketing Corporation.

Sales Tax Revenue: If retailers chose to pass the Bottled Water Excise Tax directly onto consumers in the form of increased bottled water prices, state Sales Tax revenue from the sales taxable sales of bottled water could increase.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Clean Water Indiana Fund:* The bill provides that money in the Clean Water Indiana Fund be used to provide technical assistance and incentives to landowners and other programs providing assistance for land or soil conservation. Money in the Fund would be to leverage matching federal dollars under the federal Farm Security and Rural Investment Act of 2002 and the Conservation Reserve Enhancement Program.

State Agencies Affected: Department of State Revenue; Department of Natural Resources, Division of Soil Conservation; state Budget Agency.

Local Agencies Affected: Local entities seeking Clean Water Indiana Funds; Soil and Water Conservation Districts.

Information Sources: Economic Research Service, United States Department of Agriculture, "Food Consumption Data System"; Beverage Marketing Corporation, *Bottled Water in the U.S.2001*

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